

MEMORANDUM

TO: Planning, Housing and Economic Development Committee

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: **Worksession:** Supplemental Appropriation Request #12-327
Amendment to the FY12 Operating Budget
Montgomery County Government
Biotechnology Investment Incentive Tax Credit Supplement Program – \$500,000

Background

The Executive submitted a supplemental appropriation request for the FY12 Operating Budget in the amount of \$500,000 to the Economic Development Fund to provide the initial funds needed for the newly established Biotechnology Investment Incentive Tax Credit Supplement Program (The Biotech Credit Supplement Program). This appropriation will allow the County to supplement up to 50% of the State Biotechnology Investment Tax Credit (SBITC) allowed for each qualifying biotechnology company located in the County. The source of funds for the supplemental appropriation is undesignated reserves in the General Fund.

The Biotech Credit Supplement Program was created by Bill 5-10, Biotechnology Credit – Local Supplement, which was enacted on March 16, 2010. Under this program the County is authorized to supplement any SBITC received by a company located in Montgomery County. The Biotech Credit Supplement Program will be operated as a sub-program under the current Economic Development Fund.

The Council also has under consideration Bill 34-11 to amend Biotechnology Investment Incentive Tax Credit legislation to clarify the proportion of the annual tax credit supplement an applicant may receive. Discussion of the legislation is scheduled after this item.

Public Hearing

The Council held a public hearing on the supplemental appropriation on November 15. Six speakers testified in favor of the supplemental appropriation. Five of the six recommended the \$500,000 amount be increased because of the economic benefit to the County in leveraging more investment resources for biotech firms. The Tech Council of Maryland submitted written testimony in support of the supplemental appropriation.

Staff Recommendation:

The PHED Committee recommend Council adoption of Supplemental Appropriation Request #12-327 for \$500,000 for the Biotechnology Investment Incentive Tax Credit Supplement Program.

Attachments: ©1 – October 17, 2011 Memo and Resolution from County Executive

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

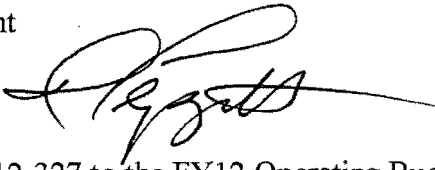
RECEIVED
MONTGOMERY COUNTY
COUNCIL

Isiah Leggett
County Executive

MEMORANDUM

October 17, 2011

TO: Valerie Ervin, Council President

FROM: Ike Leggett, County Executive 

SUBJECT: Supplemental Appropriation #12-327 to the FY12 Operating Budget
Montgomery County Government
Biotechnology Investment Incentive Tax Credit Supplement Program

I am recommending a supplemental appropriation in the amount of \$500,000 to the FY12 Economic Development Fund, administered by the Department of Economic Development (DED), to inject the initial funds needed for the newly established Biotechnology Investment Incentive Tax Credit Supplement (Biotech Credit Supplement Program). This appropriation will allow the County to supplement up to 50% of the State Biotechnology Investment Tax Credit (SBITC) allowed for each qualifying biotechnology company located in the County.

The Biotech Credit Supplement Program was created by Bill 5-10, Biotechnology Credit – Local Supplement, which was enacted on March 16, 2010. Under this program, the County is authorized to supplement any SBITC received by a company located in Montgomery County. The SBITC provides income tax credits equal to 50% of an eligible investment for investors in qualified Maryland biotechnology companies. This tax credit program offers incentives for investment in seed and early stage biotechnology companies, up to \$250,000. The Biotech Credit Supplement Program will provide additional incentive for each qualifying biotech company located in the County. The Biotech Credit Supplement Program will be operated as a sub-program under the current Economic Development Fund. The Program, which is a direct subsidy rather than a tax credit, would supplement up to 50% of the SBITC for an investment in a qualified Montgomery County biotechnology company. The Program, along with other Economic Development Fund programs, continues to support the County's mission of stimulating investment activities in the biotechnology industry and promotes the local biotech companies to retain and create jobs in the County.

The deadline to apply for the SBITC was July 1, 2011 and the State is currently reviewing the applications received. The final decision for SBITC awardees will be announced in mid-October. In addition to this supplemental appropriation, I am also transmitting a proposed bill to Council in a separate package that would make a minor modification to the Biotech Credit Supplement Program. Taken together, the supplemental appropriation and the proposed bill will allow DED implement the program during FY12 after the SBITC credits are awarded.

I recommend that the County Council approve this FY12 supplemental appropriation in the amount of \$500,000. The source funds will be specified as General Fund – Undesignated Reserves. The supplemental will reduce County General Government Fund Reserves by \$500,000 and is consistent with the fund balance policy for tax supported reserves.

I appreciate your prompt consideration of this action.

IL:kb

Attachment

cc: Jennifer Hughes, Director, OMB
Steve Silverman, Director, DED
Peter Bang, DED
Beryl Feinberg, OMB
Mary Oneda-Brown, OMB

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #12-327 to the FY12 Operating Budget
Montgomery County Government
Department of Economic Development
Montgomery County Biotechnology Investment Incentive Tax Credit Supplement
(Biotech Credit Supplement Program)

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Council members. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Council members. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may re-approve the appropriation, as if it were an item in the annual budget.
2. The County Executive has requested the following FY12 Operating Budget appropriation increases for the Economic Development Fund:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$500,000	\$0	\$500,000	County General Fund- Undesignated Reserves

3. This increase is needed because the Montgomery County Bill 5-10 authorizes the County to supplement the State Biotechnology Investment Tax Credit, allowed under Maryland Code, Tax-General Article #10-725. The Biotech Credit Supplement Program will be operated as a sub-program under the current Economic Development Fund. The County supplement, which is a direct subsidy rather than a tax credit, would be up to 50% of the state tax credit for an investment in a qualified Montgomery County biotechnology company. The Program, along with other Economic Development Fund programs, continues to support the County's mission of stimulating investment activities in the biotechnology industry, and promotes the local biotech companies to retain and create new jobs in the County.
4. The County Executive recommends a supplemental appropriation to the FY12 Operating Budget of Economic Development Fund in the amount of \$500,000 for the newly created Biotech Credit Supplement Program and the source of funds will be General Fund-Undesignated Reserves.
5. Notice of public hearing was given, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY12 Operating Budget of the Economic Development Fund is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$500,000	\$0	\$500,000	General Fund- Undesignated Reserves

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council